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30 August 1954

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MEMORANDUM FOR: Mr. Raymond G. Leddy

SUBJECT: Situation in Guatemala

The following was received from Guatemala City by cable, dated 28 August 1954, and is forwarded herewith for your information.

1. The political situation continues to worsen in Guatemala with the probability that groups of the regular army will soon attempt a coup, or, when and if the cadets participating in the August 2 and 3 uprising are sentenced by court martial.

2. Col. Elfego MONZON has refused to depart from Guatemala on his scheduled trip prior to 20 September, and there are strong indications that he is conspiring with disaffected army elements against Col. Carlos CASTILLO Armas. If so, it is probable that this movement would be launched prior to MONZON's departure.

3. A meeting between Juan CORDOBA Cerna and CASTILLO Armas was held the night of 23 August, but no satisfactory working agreement was reached. According to CORDOBA Cerna, CASTILLO does not consider CORDOBA's collaboration essential, but on the contrary is closely working with Jorge GARCIA Granados in plans for the oil development of the Peten region.

4. On the morning of 27 August, CORDOBA Cerna stated that he believes it impossible to reach a serious working agreement with CASTILLO since the latter always promises to carry out his suggestions, but never does so.

5. CORDOBA Cerna is sure that CASTILLO would balk if he (CORDOBA) were to become a member of the Junta.

6. CASTILLO is desirous of removing MONZON from the Junta and desires to remain as the sole head of the government.

7. There are persistent rumors of dishonesty in the government handling of funds.

8. Enrique NOVELLA, CORDOBA Cerna, and Domingo GOICOLEA have advised that CASTILLO had collected more than $200,000 for aid to the army of liberation, but these funds have been spent on other "confidential" matters. ~~Funds earmarked by the ARBENZ~~ government for congressional expenditure have also been spent for intelligence activities by CASTILLO!

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9. CORDOBA Cerna reports that CASTILLO keeps large sums of money in his possession which he uses in an effort to buy support.

10. On 25 August CASTILLO requested $100,000 from our representative for the liberation army and other necessary expenditures. Our representative replied that he understood that the Guatemalar Government has considerable funds in U.S. banks. On 26 August CASTILLO repeated his request. Our representative advised that he had no funds but would forward CASTILLO's request.

11. Meanwhile it is known that the army of liberation members have received as little as $18 in two months and are being fed through charity. Contrary to CASTILLO's orders, the liberation army leaders have refused to disband because they fear this would play into the hands of the Army which would immediately launch a coup and sieze power. There is a widespread belief that CASTILLO is either blind or possibly has sold out to the Regular Army.

12. CORDOVA Cerna and GOICOLEA have advised that the following members of the government are ready to resign in a mass protest against the political activities of CASTILLO:

Hector GOICOLEA	Enrique SALAZAR Liquens
Carlos SALAZAR	Mario SANDOVAL
Carlos SOSA	Oscar COBAR
Carlos CIFUENTES	Adan ENRIQUE Rios
Gabriel MARTINEZ del Rosal	Manuel ORELLANA
Luis CORONADO Lira	Adan SERRANO

13. CORDOVA Cerna has consistently prevented these people from resigning, but stated bluntly on 28 August that the continuance of irresponsible activities by CASTILLO will force him to permit the resignation of these individuals and the opening of a strong political campaign against CASTILLO. He said that the campaign would be marked by mass demonstrations of protest against CASTILLO and the political activities of the Junta.

14. CORDOVA Cerna also said that the army of liberation has withdrawn its support from CASTILLO and has pledged its support for him.

15. On 25 August Col. Manuel de Jesus PEREZ, Commander of the liberation army units at Jutiapa, was ordered by CASTILLO to disarm his men. PEREZ Refused, sent his 300 armed men to Jalapa, and came himself to the capital where he defied CASTILLO and pledged his support to CORDOVA Cerna. CORDOVA Cerna sent PEREZ to Puerto Barrios to take command of two companies of the liberation army which allegedly controls that port. PEREZ stated he would remain there at most one month unless an anti-CASTILLO movement was launched.

16. Col. Jorge BARRIOS Solares, commander of the liberation army forces in Chiquimula, is believed to have approximately 800 men still under arms. BARRIOS Solares refuses to obey orders from CASTILLO and the Junta and has also pledged his loyalty to CORDOVA Cerna. The Chiquimula forces are now better armed than before and have light and heavy artillery as well as machine guns.

17. Col. Ernesto NIEDERHEITMAN, commander of the Base Militar, has promised full support to CORDOVA Cerna and has drawn up plans to neutralize Aurora Air Base if the Air Force does not side with CORDOVA Cerna when and if an emergency arises. CORDOVA Cerna stated he may be able to take over the Air Force through Lt. Guillermo MENDOZA and Col. Luis URRUTIA de Leon. NIEDERHEITMAN is having difficulties with the Base Militar because CASTILLO has permitted unfriendly, pro-Regular Army officers to be put in subordinate positions in the Base Militar. NIEDERHEITMAN advised that he intends to remove these officers as soon as possible.

18. The Guardia de Honor is under the command of Col. Francisco OLIVA, the brother of Enrique OLIVA, member of the Junta. CORDOVA Cerna spoke with Enrique OLIVA on 24 August and believes he may be able to count on the latter's support and through him gain the support of his brother in command of the Guardia de Honor. It is doubtful that Col. OLIVA could control the Guardia de Honor since a majority of the officers are from the Regular Army.

19. Soldiers picked by the CEUA (Comite de Estudiantes Universitarios Anti-Comunistas) have been infiltrated into both the Guardia de Honor and the Base Militar. These soldiers are expected to oppose any efforts on the part of the RegularArmy against either the government or the liberation army.

20. Col. Antonio ESTRADA, commander of the Zacapa zone, has promised full collaboration. The Garrisons of Coban and Quetzaltenango are considered to be pro-CORDOVA Cerna. He is making efforts to gain control of the Quiche and Jutiapa garrisons. CORDOBA said that Miguel MENDOZA was one of his followers.

21. CORDOBA Cerna inferred that he will send representatives to discuss these matters with SOMOZA who is displeased with CASTILLO. He also advised that TRUJILLO has offered arms, but only if the United States approves.

22. CORDOBA Cerna requested our representative to forward this information without delay and, knowing of CASTILLO's request for funds ostensibly for the liberation army and confidential expenses, asked that $100,000 be given to him and not to CASTILLO. CORDOBA Cerna stated that the continued existence of the liberation army for the next six weeks is the only guarantee that the anti-Communists and the cause will not be eliminated by an army coup followed by massive retaliation on the part of the army and Communist elements.

23. Our representative has heard of statements allegedly made by CASTILLO confidentially indicating he is trying to win over the regular army by inferring he will rebuff the Americans. It is obvious that he is cutting the ground out from under the National Committee of Defense against Communism. Our representative commented that he feels serious trouble is inevitable unless CASTILLO gets together with CORDOBA Cerna on a loyal basis, eliminates highly suspicious and opportunistic elements from positions as advisors, and adopts a more realistic political line. It is believed necessary that the liberation army be maintained during this critical period when political tension is rapidly reaching the explosive point.